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FISCAL IMPACT STATEMENT

LS 7414

BILL NUMBER: HB 1781

NOTE PREPARED: Jan 21, 2005

BILL AMENDED:

SUBJECT: Tax Credit for Worksite Health Programs.

FIRST AUTHOR: Rep. Friend

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides a state tax credit to an employer that implements a worksite health promotion program for the employer's Indiana employees. The bill specifies that, for a basic worksite health promotion program, the credit is the lesser of: (1) the employer's qualified health promotion expenses; or (2) \$50 multiplied by the number of employees. The bill specifies that, for a comprehensive worksite health promotion program, the credit is the lesser of: (1) the employer's qualified health promotion expenses; or (2) \$100 multiplied by the number of employees. The bill requires the Department of Workforce Development to adopt rules for the certification of worksite health promotion programs.

Effective Date: July 1, 2005; January 1, 2006.

Explanation of State Expenditures: The bill would have indeterminate, but increased administrative cost for the Department of Workforce Development (DWD) and the State Department of Health (SDOH). Under the bill, DWD receives applications for certification of worksite health promotion programs, and then determines whether the employer has a basic or a comprehensive worksite health promotion program. If the program is approved, the DWD issues a certificate effective for one year for the program. DWD adopts rules for the certification of basic and comprehensive programs. SDOH makes recommendations for the rules and reviews the adopted rules every two years to determine if the rules continue to reflect the consensus of medical community.

The funds and resources required for this administrative responsibility could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions,

including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Background: In FY 2004, DWD reverted \$91,766 and SDOH reverted \$869,442. The December 27, 2004 vacant position report indicates that DWD currently has 92 vacancies and that SDOH has 157 vacancies.

The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this credit. The DOR's current level of resources should be sufficient to implement these credits.

Explanation of State Revenues: This bill provides a tax credit for worksite health promotion programs certified by DWD. The tax credit is effective for tax years beginning January 1, 2006. The credit is applicable to the Adjusted Gross Income Tax, the Financial Institutions Tax, and the Insurance Premiums Tax.

The potential impact of the credit depends on several factors, including: (1) the number of firms currently operating worksite health programs; (2) the number of firms initiating programs after the credit is effective; (3) the rules implemented by the DWD and the extent to which DWD certifies programs for the tax credit; and (4) the extent to which businesses claiming the credit have tax liabilities sufficient to use their credits. As a result, the potential amount of credits that might be claimed and used is indeterminable. But, given the number of firms and employees in Indiana, the amount could be significant. Currently, there are over 147,000 business establishments in Indiana employing about 2.5 M people. Of this total, there are almost 8,400 business establishments in Indiana employing 50 or more people. A business with a qualified worksite health program, depending on whether it is a basic or comprehensive program, could claim credits totaling \$2,500 to \$5,000 if it had 50 employees taking part in the program.

Background: Worksite health promotion tax credit provides for both a basic health promotion program and a comprehensive health promotion program. The DWD develops rules, with recommendations from SDOH, that would specify the elements of both the basic and comprehensive program. At this time, no data are available to indicate how many employers have programs that may conform to the elements required to receive this tax credit. The typical cost of a health promotion program to an employer is between \$35 and \$50 per employee, but may range up to \$250 per employee for certain programs.

The credit is non-refundable, and no carryback is allowed. However, a carryforward is permitted. For a basic program, the bill provides for a tax credit equal to the lesser of: (1) the employer's qualified health promotion expenses; or (2) \$50 multiplied by the number of the taxpayer's employees. For a comprehensive program, the credit is equal to the lesser of: (1) the employer's qualified health promotion expenses; or (2) \$100 per employee.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development; State Department of Health; Department of State Revenue.

Local Agencies Affected:

Information Sources: U. S. Census Bureau, *2002 County Business Patterns*.

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